



# Australian Bureau of Statistics

## 1321.0 - Small Business in Australia, 2001

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## Summary

### Main Features

#### INTRODUCTION

This publication is the seventh edition of Small Business in Australia since 1988 and draws together data to meet the demand from policy makers, business analysts and other users interested in the growth and performance of the small business sector. The interest in, and significance of this sector, continues to be recognised along with an increasing interest in other business size categories. This publication presents data from a number of different Australian Bureau of Statistics (ABS) and external sources to provide a range of information with a focus on small business but also, where possible, providing comparisons with other business size categories.

It is estimated that there were 1,233,200 private sector small businesses in Australia during 2000-01 which represented 97% of all private sector businesses (see definition of small business below). These small businesses employed almost 3.6 million people, 49% of all private sector employment.

Users should note, when comparing results from the data in this edition of Small Business in Australia with data in previous Small Business in Australia publications, as the ABS statistical series are being affected to varying degrees by The New Tax System (TNTS) introduced in Australia from 1 July 2000. It is likely that TNTS may have impacted on the number of small businesses reported for the June 2001 collection, as business operators previously not registered with the Australian taxation Office (ATO) as a business complied with the new regulations.

#### DEFINING SMALL BUSINESS

For the purposes of this publication a small business is defined as a business employing less than 20 people. Categories of small businesses include:

- non-employing businesses - sole proprietorships and partnerships without employees;
- micro businesses - businesses employing less than 5 people, including non-employing businesses;
- other small businesses - businesses employing 5 or more people, but less than 20 people;

Small businesses tend to have the following management or organisational characteristics:

- independent ownership and operations;
- close control by owners/managers who also contribute most, if not all the operating

- capital; and
- principal decision-making by the owners/managers.

In this publication, statistics are also presented for the following categories:

- medium businesses - businesses employing 20 or more people, but less than 200 people; and
- large businesses - businesses employing 200 or more people.

A size definition based on employment is not used for the agricultural statistics presented in this publication. Agricultural businesses can have large scale operations with relatively few or no permanent employees, using large numbers of seasonal and itinerant workers to satisfy short term labour needs.

To provide a size classification the ABS has developed, for statistical purposes, a measure of the Estimated Value of Agricultural Operations (EVAO) based on:

- the area of crops sown;
- the number of livestock; and
- crops produced and livestock turn-off (mainly sales) during the year.

A small agricultural business is defined as one having an EVAO of between \$22,500 and \$400,000. Businesses with an EVAO of less than \$22,500 are excluded from ABS statistics because they are not generally operated as a business venture and their contribution to commodity aggregates are generally insignificant.

Unless otherwise specified, the definition of small business used in this publication is as outlined above. Due to a lack of comparable data, agricultural statistics are excluded from most tables in this publication. However, in Chapter 2, Agriculture is included in summary statistics and in Chapter 7, a profile of the industry is presented.

## **CONTENTS OF THE PUBLICATION**

This publication provides a range of statistics relating to small businesses sourced mainly from ABS collections that present statistics classified by employer size.

Chapter 2 provides a statistical overview of the structure of Australian business in 2000-01. Numbers of businesses and their employment are provided by business size and industry sector.

Chapter 3 describes growth trends in the small business sector since 1983-84, with year-to-year changes from 1997-98, 1998-99, 1999-2000 and 2000-01.

Chapter 4 provides summary data, for selected years for each State and Territory, on numbers of small business and their employment.

Chapter 5 presents selected characteristics of non-employing businesses from the ABS Characteristics of Small Business survey.

Chapter 6 details business operations by industry sourced from the ABS Economic Activity Survey for both small and other than small businesses, as well as data from the Attorney-

General's Department on business bankruptcies.

Chapter 7 provides a detailed profile of selected goods producing industries drawn from the ABS program of economic surveys.

Chapter 8 provides a detailed profile of selected service providing industries drawn from the ABS program of economic surveys.

## **STATISTICAL UNITS**

Some of the most important statistics presented in this publication are counts of businesses by size. The term 'business' can have a variety of meanings.

For many purposes 'business' is a single legal entity such as a registered company, partnership, trust, sole proprietor, religious organisation, government department or any other legally recognised organisation which provides goods or services. At other times all legal entities that come under common ownership or control are regarded as a single business.

Unless otherwise specified, the term 'business' in this publication refers to the management unit. The management unit is the highest-level accounting unit within a business or organisation for which accounts are maintained. In nearly all cases it coincides with the legal entity owning the business.

However, in some ABS collections, such as the Survey of Employment and Earnings (SEE), large businesses with significant operations in more than one state or territory are further broken down with a statistical unit established for each state or territory in which the business operates. In some situations a number of management units can be owned or controlled by a single company and therefore it is possible that in a small number of cases a 'small business' is actually part of a larger company. These circumstances impact only slightly on the 'small business' data contained in this publication.

## **EMPLOYING BUSINESSES**

Counts of employing businesses presented in Chapters 2-4 of this publication are drawn from the SEE. The SEE frame is drawn from the ABS Business Register and is primarily designed to measure the number of employees in Australia and their earnings. It also provides, as a by-product, a reliable estimate of the number of employing businesses.

## **NON- EMPLOYING BUSINESSES**

Estimating numbers of non-employing businesses is more difficult as there was no comprehensive up-to-date business register or listing available for the period for which statistics were compiled.

As in previous editions of this publication, the estimates of non-employing businesses provided in Chapters 2-4 are derived from ABS Labour Force Survey (LFS) estimates of numbers of own account workers (i.e. people working in their own business without employees).

As many non-employing businesses involve a number of partners, estimates of the number of non-employing businesses have had to be indirectly derived. Statistics on the number of

partners per partnership, from the ABS Characteristics of Small Businesses in Australia collection have been used to derive factors which have then been applied to the LFS estimates for own account workers to estimate numbers of non-employing businesses by industry.

This estimate of non-employing businesses is an estimate of the number of businesses operated by own account workers.

## **EMPLOYMENT STATISTICS**

In Chapters 2, 3 and 4, counts of private sector employees (wage and salary earners) are derived from SEE data, while the estimates of the number of persons operating their own business are derived from the LFS. Persons operating their own business comprise: own account workers, i.e. those working in their own unincorporated business without employees; and employers, i.e. those working in their own unincorporated business with employees.

In Chapters 6, 7 and 8 counts of employment based on the ABS economic surveys are provided. These counts include employees as well as employers, but exclude own account workers.

It should be noted that data presented from the LFS includes estimates for Private Households Employing Staff (Australian and New Zealand Standard Industrial Classification (ANZSIC) group 970) in the division Personal and Other Services. However, estimates from SEE data do not include this group. The inclusion of these data in the LFS estimates should not affect direct comparisons between LFS data and SEE data as the estimates for group 970, Private Households Employing Staff, are insignificant.

## **EMPLOYER SIZE STATISTICS**

In most tables, statistics are classified by 'employer size'. The derivation of employer size, however, differs depending on the source of the statistics. Where SEE data are used, employer size is based on the number of employees (wage and salary earners). In Chapters 6, 7 and 8, the employer size classification is based on total employment of the business (i.e. employees plus working proprietors and partners).

All industry estimates within the publication have been classified on the basis of the ANZSIC.

## **REVISIONS TO PREVIOUSLY PUBLISHED SERIES**

A number of minor revisions may have been made to estimates of numbers of employing businesses and numbers of employees published in this publication compared to the estimates released in the previous edition. While these revisions may impact the level of the estimates, the relative significance of the data is unchanged.

## **NOTIFICATION OF FUTURE BREAK IN SERIES**

Counts of private sector employing businesses presented in Chapters 2-4 of this publication have been sourced from the SEE. The private sector component of the SEE collection was discontinued after the December quarter 2001 survey.

Therefore the December quarter 2001 issue of Wage and Salary Earners, Australia (cat. no. 6248.0) was the last in which estimates of wage and salary earners and quarterly earnings for the private sector were presented. From March quarter 2002 this publication is called Wage and Salary Earners, Public Sector - Australia (cat. no. 6248.0).

Estimates of wages and salaries for the private sector are now collected in the Quarterly Economic Activity Survey, to be published in Business Indicators, Australia (cat. no. 5676.0) and will be the source of earnings data required for input into the gross domestic product component of the National Accounts.

Further information about changes to this and other ABS business surveys and details of alternative sources of employment and earnings statistics are provided in: Information Paper: Improvements to the Australian Bureau of Statistics Quarterly Business Indicators, 2001 (cat. no. 5677.0) - issued 6 July 2001. Future issues of the Small Business publication will therefore be sourcing data for Chapters 2-4 from an alternate source. The ABS is currently investigating what alternate sources of data will be the most appropriate.

## **COMPARISON WITH OTHER DATA**

The ABS has compiled business counts on a number of different bases for inclusion in a range of publications. These include:

Experimental Estimates, Regional Small Business Statistics (cat. no. 5675.0), Small Business in Australia (cat. no. 1321.0) and Australian Industry (cat. no. 8155.0).

Each publication provides a profile of business demographics from different perspective. Differences in scope, coverage, timing and business definitions mean the estimates of counts of businesses in these publications are not directly comparable. The ABS is working to ensure greater integration of businesses demographic information in the future.

The definition of a small business in Experimental Estimates, Regional Small Business Statistics is based on a combination of income and expenses. Businesses with total income and/or expenses between \$10 000 and \$5m are classified as small. Data in this publication are sourced from the ATO Business Income Tax file. The ATO Business Income Tax file includes all businesses who have traded at any point during the year. The statistical unit is the legal entity.

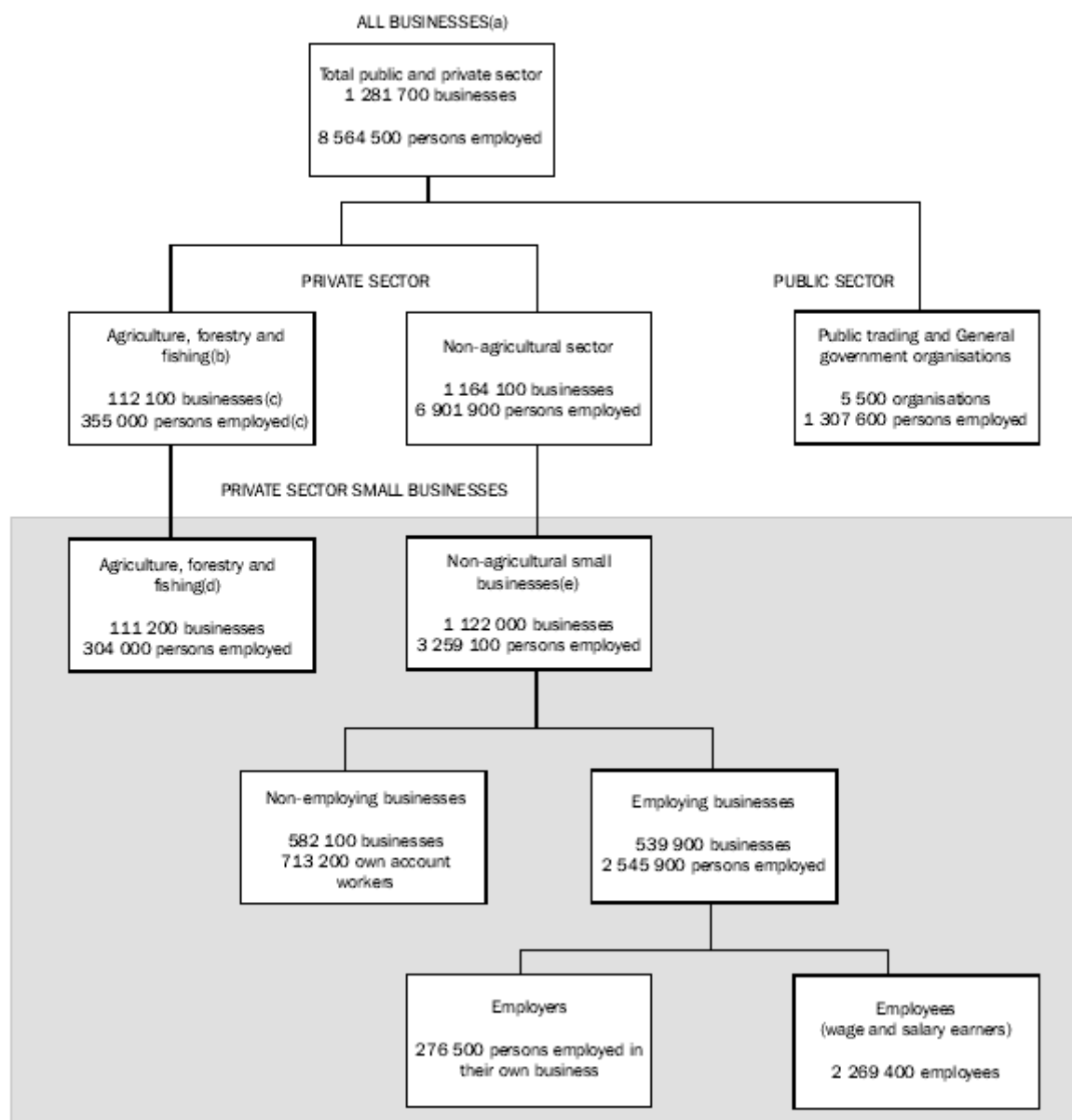
In Small Business in Australia, a small business is defined as one with fewer than 20 employees. Counts of small businesses in this publication are sourced from a combination of ABS household survey data and Survey of Employment and Earnings data, a collection which is based on the ABS Business Register. The ABS monthly labour force survey which is household-based, is used to produce estimates of the number of non-employing businesses. These are based on estimates of own account workers (i.e. persons working in their own business without employees) from the survey. The ABS Business Register includes employing businesses registered with the Australian Taxation Office at a point in time. The statistical unit is the management unit, which may include more than one legal entity.

Australian Industry provides counts of businesses by industry at national and state level. Estimates of the number of small businesses are not separately identified in this publication. Data in this publication are sourced from the ATO Business Income Tax file and the ABS Economic Activity Survey (EAS). The ATO Business Income Tax file contains all businesses (legal entities) which traded at any point during the financial year. The statistical unit for the

EAS is the management unit.

For more information, please refer to the Explanatory Notes in each publication.

## STRUCTURE OF AUSTRALIAN BUSINESS - 2000-01



(a) Generally, the number of businesses (management units) and persons employed have been obtained by averaging the estimates for the middle months of each quarter for the 2000-2001 financial year.

(b) Includes ANZSIC Subdivisions 01 - Agriculture, 02 - Services to Agriculture; Hunting and Trapping, 03 - Forestry and Logging and 04 - Commercial fishing.

(c) Estimates are based on data from two different sources; ANZSIC Subdivision 01 data are drawn from the 1999-2000 Agricultural Finance survey, while ANZSIC Subdivisions 02, 03 and 04 estimates are drawn from the 1999-2000 Economic Activity Survey. Excludes management units in ANZSIC Subdivision with an estimated annual value of agricultural operations (EVAO) of less than \$22,500. Employment estimates exclude unpaid family helpers.

(d) Agricultural small businesses include those management units coded to ANZSIC Subdivision 01 with an EVAO of more than \$22,500 but less than \$400,000, and those management units coded to ANZSIC Subdivisions 02, 03 and 04 which employ less than 20 persons.

(e) Small business (except in agriculture) are defined as those management units which employ less than 20 persons.

## About this Release

### ABOUT THIS RELEASE

Contains statistics on the number and employment of small businesses on a national, State, and industry basis. It also contains statistics on business bankruptcies, business performance and an analysis of the non-employing sector. Included are detailed profiles on small and very small businesses in the Agriculture, Mining, Manufacturing and some selected service industries.

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## Explanatory Notes

### Glossary

#### **BANKRUPTCIES**

Bankruptcy is a legal state relating to an individual, permitting the orderly repayment and release of their debts. It may be initiated either voluntarily by the debtor or by a creditor against the debtor's will, and even in the debtor's absence. The legislation generally provides for the assets of a bankrupt to be sold and the proceeds to be distributed to creditors on a pro rate basis.

#### **BUSINESS BANKRUPTCIES**

When bankruptcy proceedings are taking place and it is found that the individual has been involved in any business activity in the five years preceding bankruptcy, then the bankruptcy is referred to as a 'business bankruptcy'.

#### **BUSINESSES OTHER THAN SMALL**

Businesses employing more than 19 people.

#### **CASH OPERATING SURPLUS**

Cash operating surplus for agricultural industries, is the estimate of gross operating surplus less an estimate of the value of increase in livestock less estimates of interest and land rent paid plus estimates of interest and land rent received. Cash operating surplus is not a true measure of surplus available for profit since depreciation and income tax have not been deducted.

#### **EMPLOYEES (WAGE AND SALARY EARNERS)**

The number of employees in a given financial year is the annual average of the number of employees who received pay for any part of a chosen pay period in August, November, February and May of that financial year. All permanent, temporary, casual, part-time, managerial and executive employees paid during the period, as well as employees on paid or pre-paid leave, on workers' compensation, and employees paid from interstate or overseas are included.

In the LFS members of the Australian permanent defence forces, certain diplomatic personnel of overseas governments, overseas residents in Australia and members of non-Australian defence forces (and their dependents) stationed in Australia are all excluded. Employees primarily engaged in agriculture, fishing and hunting; and employees in private households are all included as employees.

The SEE excludes members of the Australian permanent defence forces, employees of businesses in the private sector primarily engaged in Agriculture, forestry and fishing, employees in private households employing staff, employees of overseas embassies and consulates, employees based outside Australia and employees on workers compensation who are not paid through the payroll.

Also excluded are the following persons who are not regarded as employees for the purposes of the SEE; proprietors/partners of unincorporated businesses, directors who are not paid a salary, persons such as subcontractors, and persons paid solely by commission without a retainer are also excluded. Casual employees who work on an irregular basis and who were not paid during the relevant pay period, and employees on leave without pay, on strike, or stood down without pay for the whole of the pay period, are also excluded.

## **EMPLOYER SIZE**

Management units (and establishments) are allocated a size classification, referred to as 'employer size'. Depending on the source of the statistics this term refers to either the number of employees only or total employment (employees plus working proprietors and partners). For statistics derived from ABS employer based surveys, e.g. SEE, employer size refers to the number of employees, while for statistics derived from the program of Economic Surveys 'employer size' refers to total employment.

## **EMPLOYERS**

Persons who work in their own business (that business not being a limited liability company) with employees. The number of employers in a given financial year is the annual average of the number of employers in a chosen two-week period in August, November, February and May of that financial year.

## **EMPLOYMENT**

Persons working in their own business and employees, including part-time and casual employees on the payroll, for the last pay period in June.

## **EMPLOYMENT SIZE**

See employer size.

## **ESTIMATED VALUE OF AGRICULTURAL OPERATIONS (EVAO)**

A valuation placed on agricultural units taking into account (without double counting) the



area of crops sown, number of livestock on holdings at a point in time, as well as the crops produced and livestock turnoff (in most cases sales) during the year. It is a measure devised to assist with industry coding and size valuation and is not an indicator of receipts obtained by units or of the value of agriculture commodities produced by these units.

## **FULL-TIME EQUIVALENT**

Full-time equivalent employment is defined as the total hours worked divided by the average hours worked in full-time jobs.

## **GROSS PRODUCT**

See Industry gross product.

## **INDUSTRY**

Industry statistics in this publication are classified according to the Australian and New Zealand Standard Industrial Classification (ANZSIC), 1993 (cat. no. 1292.0).

## **INDUSTRY GROSS PRODUCT (IGP)**

IGP is a measure of the unduplicated gross product of a business defined as gross output minus intermediate inputs. Broadly it can be described as the gross output of a business minus intermediate inputs or the value of goods and services after the deduction of the cost of goods and services used up in the process of production.

## **INDUSTRY VALUE ADDED**

IVA represents the value added by an industry to the intermediate inputs used by the industry. The derivation of IVA is as follows: Turnover (new standards) plus Closing inventories less Opening inventories less Intermediate input expenses (for details, see the entry for operating expenses) equals IVA.

## **LARGE BUSINESS**

For this publication, large businesses (excluding agriculture) are defined as businesses employing 200 or more people.

## **LEGAL STATUS**

Reflects a business's legal structure, i.e. sole proprietor, partnership, incorporated company, cooperative society or government authority.

## **MANAGEMENT UNIT**

The management unit is the largest type of accounting unit within an enterprise group which controls its productive activities. From its accounts detailed annual and sub-annual (i.e. at least quarterly) revenue, expense, stocks, capital expenditure and employment data must be available to the ABS which enables measures of industry performance, such as gross product (i.e. adjusted value added) to be calculated.

## **MEDIUM BUSINESS**

For this publication, medium businesses (excluding agriculture) are defined as businesses employing 20 or more people but less than 200.

## **MICRO BUSINESS**

For this publication micro businesses are defined as businesses employing less than five employees as well as non-employing businesses.

## **NET OPERATING SURPLUS**

Is defined as gross product less wages and salaries, employer contributions to superannuation and pension schemes, depreciation expenses and workers' compensation insurance. Net operating surplus is a basic measure of profitability (before income tax and non-operating income and expenses) of an industry.

## **NON-EMPLOYING BUSINESS**

A business run by an own account worker, solely or in a partnership, which has no employees.

## **OPERATING PROFIT BEFORE TAX (OPBT)**

OPBT is a measure of profit before extraordinary items are brought to account and prior to the deduction of income tax and appropriations to owners (e.g. dividends paid).

## **OTHER SMALL BUSINESS**

For this publication, other small businesses (excluding agriculture) are defined as businesses employing 5 or more people but less than 20.

## **OWN ACCOUNT WORKERS**

An own account worker is a person who operates his or her own unincorporated economic enterprise or engages independently in a profession or trade and hires no employees. The number of own account workers in a given financial year was taken as the annual average of the number of own account workers in a chosen two week period in August, November, February and May of that financial year.

## **PERSONS WORKING IN OWN BUSINESS**

A combination of own account workers and employers estimated from the monthly LFS.

## **PERSONS EMPLOYED**

See employment.

## **PRIVATE SECTOR**

All businesses not classified to the public sector.

## **PUBLIC SECTOR**

The public sector in Australia is that part of the economy which consists of all resident enterprises through which the Commonwealth, State and Local governments, separately or jointly, implement their economic, social and other policies by their ability to control what activities the enterprises undertake and/or how they are undertaken.

## **SALES OF GOODS AND SERVICES**

Includes sales of goods whether or not manufactured by the business; sales or transfers to related businesses; all repair and service income and fees; income from rent, leasing and hiring; contract, subcontract and commission income; and management fees.

## **SMALL BUSINESSES**

For this publication small businesses are defined as businesses employing less than 20 people in all industries except agriculture where the definition is businesses with an EVAO of between \$22,500 and \$400,000.

## **STATUS OF WORKER**

Refers to the classification as either an employee, an own account worker, or an employer.

## **TURNOVER**

Sales of goods and services, commission income, repair and service income, rent, leasing, and hiring income (excluding unallocated rent, leasing and hiring income), government bounties and subsidies, and all other operating income except interest, royalties and dividends. Also included is the value of capital work done by the management unit for itself and the value of equipment withdrawn from stock for own use or for rental or lease outside the management unit.

## **UNINCORPORATED JOINT VENTURE (UJV)**

For ABS purposes this is defined as being a contractual association, between two or more parties, to undertake a specific business project in which the participants meet the costs of the project and receive a share of any resulting output. The statistical treatment of each UJV involves collection of data from the participants, who generally report income and asset items, and operators who report employment and expenses. This can place participants inappropriately in the small business class. To avoid distortion of the data UJV participants with employment in the 0-19 range have been presented separately.

## **WAGE AND SALARY EARNERS**

See employees.

## **WAGE AND SALARIES**

Including severance, termination and redundancy payments and provision expenses for employee entitlements. It excludes payments to contractors and drawings of working proprietors and working partners of unincorporated businesses.